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2 October 1958

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CENTRAL INTELLIGENCE BULLETIN

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2 October 1958

DAILY BRIEF

I. THE COMMUNIST BLOC

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[redacted]

Watch Committee conclusion--Taiwan Strait: All indications point to continued and possibly increased Chinese Communist efforts to interdict supplies to the Chinmen (Quemoy) island group.

Chinese Communist capabilities to launch major attacks against the offshore islands with little or no warning and air attacks on Taiwan and on the Penghus (Pescadores) remain unchanged. The amphibious lift necessary for an invasion of Chinmen, Lieh Hsu (Little Quemoy), and Matsu has still not been observed.

The possibility remains that the Chinese Nationalists, fearing a change in US views regarding the offshore islands, may take independent action calculated to involve the US. Air clashes, which could involve US forces, are likely to continue and may increase.

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Available evidence fails to reveal that the Soviet Union has taken measures to implement its commitments to the defense of Communist China. There has been noted for the first time in Soviet propaganda what may be indications of a Soviet willingness to furnish pilot "volunteers." [redacted] 25X1

25X1 [redacted]

USSR-Afghanistan: A Soviet delegation headed by President Voroshilov and including N. A. Mukhitdinov, a top party leader and spokesman on Soviet-Moslem affairs, and Deputy Foreign Minister N. P. Firyubin arrived in Kabul on 1 October for a six-day good-will visit to repay that made by Afghan King Zahir Shah to the USSR in July 1957. Moscow, possibly concerned about recent Afghan interest in Western overtures and signs of Afghan rapprochement with Western-oriented Pakistan and Iran, may be seeking a reaffirmation of Afghan "neutrality." Signature of a new agreement on Soviet assistance to Afghan civil aviation may be announced during this visit. [redacted] 25X1 25X1

[redacted]

II. ASIA-AFRICA

Laos: The Laotian Council of Ministers on 30 September approved the controversial monetary reform negotiated with the United States. Sentiment against devaluation remains high and the government plans to keep the new dollar exchange rate a secret until 13 October--two days after the assembly closes. Leaks are almost certain, however, and resentment at this tactic might alienate enough conservative deputies to bring down the government by a rejection of the budget prior to adjournment.

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Watch Committee conclusion--Middle East: Although a deliberate initiation of open hostilities in the Middle East is unlikely in the immediate future, the situation remains unstable throughout the area, particularly where US and UK interests or commitments are involved, and incidents and coups could occur at any time.

In Lebanon, political and religious strife continues to endanger the stability of the country, and incidents could occur involving US forces.

no

The survival of the Jordanian regime continues to be threatened. If the regime in Jordan collapses, action by Israel and other neighboring countries to take control of Jordanian territory is likely.

In Iraq, Premier Qasim has strengthened his position by removing Deputy Premier Arif from all cabinet positions and naming him as ambassador to West Germany. However, internal conditions continue to invite action by the Communists and pro-Nasir elements to further their respective objectives.

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Kuwait: The influence of Egyptian schoolteachers in Kuwait, largest oil producer in the Middle East, has increased significantly since the revolution in Iraq. The Egyptians have demonstrated their power by pushing through the local teachers' association a resolution to add political indoctrination to the school curriculum. [redacted]

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LATE ITEM

*USSR: The Soviet notes of 1 October to the United States and Britain proposing that the forthcoming Geneva talks on a nuclear test cessation agreement be held on the foreign minister level are intended to demonstrate the importance Moscow

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attaches to the success of this conference. While the notes avoid any threat of a boycott if this proposal is not accepted, the Soviet leaders probably anticipate that a rejection would have the effect of strengthening their charges that the United States and Britain are seeking to impede an agreement and would provide further justification for the USSR's resumption of tests on 30 September. The notes repeat Khrushchev's previous insistence that the purpose of the talks is to conclude an agreement on the "permanent" cessation of tests, suggesting that the Soviet delegation will seek to make this the key issue in the negotiations.

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Laotian Cabinet Approves Controversial Monetary Reform

The Laotian Council of Ministers on 30 September approved the monetary reform negotiated with the United States. This reform attacks one cause of official corruption in Laos by eliminating the disparity between the unrealistic official dollar exchange rate of 35 to one and the free market rate of about 100 to one.

While Prime Minister Phoui Sananikone has overcome opposition to reform within the cabinet, sentiment against devaluation is still strong within his parliamentary backing, the Rally of the Lao People (RLP).

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In view of his slim parliamentary majority--he was invested by a 29-21 vote--and vulnerability to RLP defections, Phoui plans to keep the new 80-to-one exchange rate secret until 13 October--two days after the assembly closes. This gamble entails serious risk since leaks are almost certain, and resentment at this tactic might alienate enough RLP deputies to cause them to overthrow the government on the budget issue.

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Egyptian Influence Increasing in Kuwait

The influence of Egyptian schoolteachers in Kuwait, largest oil producer in the Middle East, has increased significantly as a result of the 14 July revolution in Iraq. The Egyptians have demonstrated their power by pushing through the local teachers' association a resolution to incorporate political instruction into the school curriculum during the coming year.

Because of Egyptian influence, the Education Department will probably accept the teachers' resolution. Successful Egyptian sponsorship of the resolution contrasts with the strong opposition encountered by a similar resolution last year.

The significance of the Egyptian position in Kuwaiti education is underlined, in the view of the American Consulate in Kuwait, by the role students have played in recent demonstrations and by the fact that most of the recent graduates of the Secondary School are taking part in the Kuwaiti reformist-nationalist movement. This movement seeks social and political reforms and closer association with Egypt within a broad framework of other Arab states. In recent months the reformists have increasingly directed their attacks at the Kuwait Oil Company, jointly owned by British and American interests.

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